

SENATE RECORD VOTE ANALYSIS

106th Congress
1st Session

Vote No. 28

March 2, 1999, 10:32 a.m.
Page S-2068 Temp. Record

SMALL BUSINESS Y2K ASSISTANCE/Passage

SUBJECT: Small Business Year 2000 Readiness Act . . . S. 314. Passage.

ACTION: BILL PASSED, 99-0

SYNOPSIS: As reported and passed, S. 314, the Small Business Year 2000 Readiness Act, will establish a new Small Business Administration (SBA) loan guarantee program to assist small businesses in overcoming the year 2000 (Y2K) computer date change problem. That problem is that in many computer programs and automated processor programs, especially in many older programs, date fields are set up to store only the last two digits of year data. For instance, the year "1970" is stored as "70." Additionally, coding to manipulate that data is written only to recognize two digits. (The initial reason for this arrangement was financial--memory space was very expensive, so not entering two extra digits for each date entry saved substantial sums of money.) All years are assumed by those programs to be in the twentieth century. Thus, when those programs encounter dates in the year 2000, they will interpret them as being dates in the year 1900, and they will consequently either crash or yield wrong results. A study by Wells Fargo Bank and the National Federation of Independent Business (NFIB) found that an estimated 4.75 million small employers are subject to Y2K problems, and that approximately 750,000 of those businesses will fail or will be severely crippled if they do not take action to overcome that problem. Additionally, the Gartner Group, an international information technology consulting firm, has estimated that between 50 percent and 60 percent of small businesses will experience at least one mission-critical failure as a result of Y2K problems. As of the third quarter of 1999 only 5 percent of small businesses had completed the Y2K programming changes they needed to make.

This bill will provide loan guarantees so that small businesses will have access to capital to address Y2K problems. Small businesses that receive loans will be allowed to use loan proceeds to make Y2K changes or to gain relief from economic injuries they suffer as a result of their own Y2K problems or of other entities' Y2K problems. Lenders that are eligible to participate under the SBA's 7(a) loan program will be eligible to participate under this loan program. Loans of \$100,000 will receive 90-percent guarantees and loans of more than \$100,000 will receive 85-percent guarantees. The current-law limit of \$750,000 in outstanding

(See other side)

YEAS (99)				NAYS (0)		NOT VOTING (1)	
Republican (54 or 100%)		Democrats (45 or 100%)		Republicans (0 or 0%)	Democrats (0 or 0%)	Republicans (1)	Democrats (0)
Abraham	Helms	Akaka	Kennedy			McCain- ²	
Allard	Hutchinson	Baucus	Kerrey				
Ashcroft	Hutchison	Bayh	Kerry				
Bennett	Inhofe	Biden	Kohl				
Bond	Jeffords	Bingaman	Landrieu				
Brownback	Kyl	Boxer	Lautenberg				
Bunning	Lott	Breaux	Leahy				
Burns	Lugar	Bryan	Levin				
Campbell	Mack	Byrd	Lieberman				
Chafee	McConnell	Cleland	Lincoln				
Cochran	Murkowski	Conrad	Mikulski				
Collins	Nickles	Daschle	Moynihan				
Coverdell	Roberts	Dodd	Murray				
Craig	Roth	Dorgan	Reed				
Crapo	Santorum	Durbin	Reid				
DeWine	Sessions	Edwards	Robb				
Domenici	Shelby	Feingold	Rockefeller				
Enzi	Smith, Bob	Feinstein	Sarbanes				
Fitzgerald	Smith, Gordon	Graham	Schumer				
Frist	Snowe	Harkin	Torricelli				
Gorton	Specter	Hollings	Wellstone				
Gramm	Stevens	Inouye	Wyden				
Grams	Thomas	Johnson					
Grassley	Thompson						
Gregg	Thurmond						
Hagel	Voinovich						
Hatch	Warner						

EXPLANATION OF ABSENCE:

- 1—Official Business
- 2—Necessarily Absent
- 3—Illness
- 4—Other

SYMBOLS:

- AY—Announced Yea
- AN—Announced Nay
- PY—Paired Yea
- PN—Paired Nay

Compiled and written by the staff of the Republican Policy Committee—Larry E. Craig, Chairman

loans to any 1 borrower will be raised by up to \$250,000 for additional loans given under the Y2K program. Guidelines will be established that will allow a financial institution to process Y2K loans in accordance with the requirements of any existing 7(a) loan program. Guidelines will also be established to provide flexibility in the structuring of loans and to provide that any reasonable doubts regarding an applicant's ability to service the debt will be resolved in favor of the applicant. The program will be subject to reporting and review requirements, will be marketed aggressively, and will terminate on December 31, 2000.

Those favoring passage contended:

January 1, 2000 is less than a year away. Computer and automated system programs around the world were not written to be able to handle any dates in the next century. If those programs are not fixed, businesses will not be able to enter orders, payrolls will not be processed, and bills will not be paid for any records with dates past December 31, 1999. Larger businesses and government agencies have been investing substantial amounts of time and money into fixing this "Y2K" problem. For instance, the Social Security Administration employed 600 people and spent 6 years fixing its computer systems. Smaller businesses, though, have done much less. In fact, according to the most recent survey by the National Federation for Independent Business, 40 percent of small businesses have done nothing and plan to do nothing. Most of them either have not focused on the problem at all or are assuming that it will not cause them great difficulties. Those small businesses that are trying to fix their computer systems are running into severe financial problems. They are finding that Y2K problems are very expensive to fix.

The experiences that Lloyd Davis, the owner of Golden Fields Agricultural Technologies, Inc., had are illustrative of the problems small business owners have been encountering when they have tried to become Y2K compliant. His small business had 11 desktop computers running custom software. Those computers were used to handle payroll, inventory, and customer databases. Mr. Davis, unlike many small business owners, tested his equipment to see if it could handle the year 2000. The tests confirmed his worst fears--none of the programming worked. He purchased an upgraded software package for \$16,000, but found that it would not work on his existing computers. He checked the prices on new computers and found that it would cost another \$55,000 to get computers that could run his new software. However, like many small businessmen, Mr. Davis did not have enough reserves for that expense. He went to the bank for a loan so he could make his business Y2K compliant. He was denied, because his business had been classified as "high-risk" because it was not Y2K compliant. In the end, he had to lease 6 computers at a cost of \$23,000. His business will be less efficient, but at least he will be able to stay in business.

The same will not be true for hundreds of thousands of other small businesses, unless they act very quickly. One recent study of the Y2K problem found that an estimated 750,000 small businesses will fail, and 7.5 million people will lose their jobs. Further, for those companies that stay in business, there will likely be severe short-term problems, such as that they will be unable to issue paychecks to their employees for the first one or two months of the year 2000.

This bill has been offered in an attempt to limit this disaster before it happens and to soften it once it does. It will create a new small business loan program that will exist solely to address Y2K problems. Loans will be given to small businesses to fix their systems beforehand, and they will be given to them if and when problems start because they have failed to make remediation efforts in time. The loans will be given with high guarantee rates and on flexible terms, including that interest payments may be delayed for up to 1 year, and the application process will use proven, fast procedures that typically result in approval or disapproval within 48 hours of application. The SBA will aggressively market this program to small businesses in an effort to get more of them to fix their computer systems before they fail. The SBA has a proven track record in giving loans that generate jobs and wealth in America. Last year it gave 42,000 loans totaling \$9 billion, and the Government's true cost under the subsidy rate came to just 1.39 percent. We are pleased that this bill will use the SBA's expertise. We are hopeful that Members, after approving this bill, will make sure that the SBA is given adequate resources to get the job done. We urge our colleagues to join us in passing this greatly needed bill.

No arguments were expressed in opposition to passage.